

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2275-04
Bill No.: Perfected HCS for HB 958
Subject: Business and Commerce; Revenue Dept.; Taxation and Revenue - Sales and Use
Type: Original
Date: April 21, 2009

Bill Summary: Would change several provisions related to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$124,574) to (More than \$43,056,194)	(\$152,475) to (More than \$47,424,095)	(\$155,273) to (More than \$47,440,441)
Total Estimated Net Effect on General Revenue Fund	(\$124,574) to (More than \$43,056,194)	(\$152,475) to (More than \$47,424,095)	(\$155,273) to (More than \$47,440,441)

*** Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 37 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
Blind Pension	\$0	(Unknown)	(Unknown)
State Road	(\$1,964,000)	(\$2,366,000)	(\$2,377,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$1,964,000)	(More than \$2,366,000)	(More than \$2,377,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	2	3	3
Total Estimated Net Effect on FTE	2	3	3

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government *	\$1,964,000 to (Unknown)	\$2,366,000 to (Unknown)	\$2,377,000 to (Unknown)

*** Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development, Missouri Housing Development Commission, Office of Public Counsel, Public Service Commission, and Missouri Arts Council**, the **Department of Health and Senior Services**, the **Department of Social Services**, the **Metropolitan Community Colleges, St. Louis County**, the **City of Centralia**, and the **City of Kansas City**, assumed this proposal would have no fiscal impact to their organizations.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)**, assume there would be no additional cost or savings to their organization as a result of this proposal.

BAP officials provided a detailed response to this legislation by provision, and **Oversight** will include the BAP comments those provisions separately.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) provided a response which indicated that the provisions which would roll unused tax credit funding into another tax credit program would increase the administrative costs for their organization.

In summary, the DOR estimate of cost to implement the provisions in this version of the proposal included nine additional employees and the related equipment and expenditure costs for a total of \$353,760 for FY 2010, \$370,838 for FY 2011, and \$381,963 for FY 2012.

For fiscal note purposes, **Oversight** will report the DOR cost by provision.

DOR officials also provided a consolidated estimate of the IT cost to implement the provisions in this proposal which was prepared by the Office of Administration, Information Technology Service Division (ITSD/DOR). That estimate included the cost of one existing CIT III for one month for modifications to the MITS system at a total cost of \$4,441.

Oversight assumes that ITSD/DOR could implement the provisions in this legislation with existing resources.

Officials from the **Department of Natural Resources** (DNR) provided a response which indicated that no fiscal impact to their organization was anticipated except for those provisions which would provide new sales tax exemptions. The new sales tax exemptions were anticipated to reduce revenue to the DNR's Parks, and Soil and Water Funds.

Section 32.105 Affordable Housing Requirement

This provision would amend the affordable housing definition for Neighborhood Assistance Act projects.

In response to a similar proposal in the previous session (HB 1865 LR 4225-01, 2008) officials from the **Department of Revenue** and the **Department of Economic Development** assumed those provisions would have no fiscal impact to their organizations.

ASSUMPTION (continued)

Section 52.230 Property Tax Statements

Officials from the **Office of Administration, Division of Budget and Planning** stated that this provision would require real and personal property tax statements to be mailed to all resident taxpayers at least 45 days before the delinquent date in first classification counties. BAP officials stated that this section would not have an impact on general and total state revenues.

Officials from the **Office of the Boone County Collector of Revenue** stated that this provision would have no fiscal impact to their organization.

Oversight assumes this provision would have no fiscal impact to the state or to local governments.

Section 67.2000 Exhibition Center and Recreational Facility Tax

Officials from the **Office of Administration, Division of Budget and Planning** stated that these provisions would allow real property owners in the counties of Caldwell, Clinton, Daviess, and DeKalb to petition the governing body of the county for the creation of an exhibition center and recreational facility district. This section does not have an impact on general and total state revenues.

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (SB 386 LR 0046-01) would have no fiscal impact to their organization.

DOR officials provided this estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration, Information Technology Service Division** (ITSD/DOR) estimate the IT portion of this request could be implemented using one FTE existing CIT III for one month for system modifications to the MITS system at a total cost of \$4,441. ITSD/DOR officials assume the proposal could be implemented with existing resources; however, if priorities shift, additional FTE or overtime would be needed.

Officials from **Clinton County** assumed in response to a similar proposal (SB 386 LR 0046-01) that they might incur costs of elections.

ASSUMPTION (continued)

Officials from **DeKalb County** state that a similar proposal (SB 386 LR 0046-01) could create costs in 2010 for the county-wide sales tax election and the two publications totaling \$1,560.

Oversight assumes this proposal is permissive and would require voter approval before any fiscal impact would be realized by the state or the new district. If the governing body of the county approves the creation of an Exhibition Center and Recreation Facility District and the voters within the district approve a sales tax to operate the district, the Department of Revenue would collect the sales tax and would withhold a 1% collection fee. The collection fee would be deposited in the State's General Revenue Fund.

If the counties attempt to establish a district, they would realize the cost of an election, which is required to establish a district, and the district would realize income generated by the sales tax, and would have costs related to the operation and maintenance of the district. All amounts of income and costs are indeterminable and based upon the desire and action taken to set up such a district.

Officials from **Daviess and Caldwell Counties** did not respond to our request for fiscal impact.

Oversight will not indicate any fiscal impact for these provisions, since they would only be incurred after local government action.

Section 135.237 Adoption Resource Center Tax Credits

Officials from the **Office of Administration, Division of Budget and Planning** stated that these provisions would provide tax credits under the Children in Crisis program for certain adoption resource centers. In FY08, the total allocation for the Adoption tax credit program was \$4 million and \$3.4 million was redeemed between the Adoption and Children in Crisis programs. Thus, general and total state revenues could be reduced an additional \$600,000 each fiscal year.

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (HB 69 LR 0046-01) would not have a direct impact to Total State Revenue; however, additional taxpayers may be eligible to claim the credit and the General Assembly has the authority to appropriate additional funding.

ASSUMPTION (continued)

DOR assumed the need for one Revenue Processing Technician (at \$25,380) for:

- every 4,000 credits claimed in Personal Tax;
- every 5,200 additional errors in Corporate Tax;
- and every 2,080 pieces of additional correspondence in Corporate Tax.

DOR estimated the total cost three additional FTE would be roughly \$125,000 per year.

DOR provided this estimate of the IT cost to implement the proposal.

Officials from the Office of Administration, Information Technology Services Division (ITSD/DOR) estimated that the proposal legislation could be implemented using one FTE existing CIT III for one month for system modifications to the COINS, Café, and E-file systems, at a total estimated cost of \$4,441. ITSD/DOR officials assumed the IT portion of this request could be implemented with existing resources; however, if priorities shift, additional FTE or overtime would be needed.

Oversight assumes DOR would be able to administer the program with existing resources.

The **Department of Revenue** issued a press statement about the Special Needs Adoption tax credit and the Children in Crisis tax credit in 2007. In FY 2007, \$420,571 was used for the adoption of Missouri Children, leaving \$1,579,429 for possible use by the Children in Crisis tax credit. \$168,129 was claimed for the Children in Crisis tax credit.

Officials from the **Department of Social Services-Division of Finance and Administrative Services** (DOS) stated in response to a similar proposal (HB 69 LR 0046-01) that the total tax credit limit for Special Needs Adoptions is \$4 million annually. \$2 million of the Special Needs Adoption tax credit is allocated for the adoption of Missouri children and the other \$2 million is for the adoption of children outside the state of Missouri. The unused portion of \$2 million allocated for Missouri children is available to be used for the Children in Crisis tax credit, and any unused portion after that is available for non-resident adoptions. This provision would allow more entities to be eligible for donations - they would broaden the scope of the Children in Crisis tax credit program. However, it does not raise the \$2 million cap to be utilized between the Missouri child portion of the Special Needs Adoption tax credit and the Children in Crisis tax credit.

ASSUMPTION (continued)

These provisions would expand the types of entities eligible for the Children in Crisis tax credit from 3 types to 4 types. If there are 25% more claims to the Children in Crisis tax credit than in FY 07, it could result in \$42,032 more in tax credits issued. These additional credits would still not reach the \$2 million cap, but would be considered a loss of state revenue of \$42,032.

The Division of Finance and Administrative Services would likely have to process more applications by agencies (assuming the adoption resource centers apply to be qualified agencies). There would also likely be more questions that come in to the Division of Finance and Administrative Services regarding the tax credit. These functions are already being performed for other tax credits. The additional volume of contacts created by this broadening of the definition of eligible agencies should not create enough work to justify another FTE. The functions should be able to be absorbed by existing staff. No anticipated fiscal impact to the agency.

Officials from the Children's Division stated the addition of the adoption resource centers would not affect their budget as funding for this agency will come from the unclaimed portion of the resident adoption category allocation which provides tax credits to qualified agencies. The Children's Division assumes the proposal would not fiscally impact their agency.

Officials from the **Department of Economic Development** assumed that a similar proposal (HB 69 LR 0046-01) would have no fiscal impact to their organization.

Oversight assumes the proposal would not create an additional tax credit, but would expand the current special needs adoption tax credit to include Adoption Resource Centers. The credits claimed in the previous two years have totaled \$3.1 million in FY 2007 and \$3.4 million in FY 2008. The Department of Revenue projected redemption amounts of \$4 million (program cap) in both FY 2009 and FY 2010.

ASSUMPTION (continued)

The current \$4 million annual cap on the program may be increased by appropriation; it is split between resident and non-resident adoptions. Oversight assumes the annual limit would remain at \$4 million. Oversight assumes the changes within this proposal could increase the utilization of the \$4 million cap; however, since we have already reflected a potential annual loss of up to \$4 million per year from this section in statute, Oversight will assume these provisions would not have further impact to state revenues. For budgeting purposes, Oversight will assume the addition of another benefactor of the \$4 million program could result in savings of \$600,000 (cap of \$4 million less the amount of redemptions in FY 2008 of \$3.4 million) being utilized under a different program.

These provisions could reduce Total State Revenues.

Section 135.562 Tax Credits for Handicapped Access Housing Modifications

Officials from the **Office of Administration, Division of Budget and Planning** stated that these provisions would expand the Individual Dwelling Disabled Access program by providing tax credits for taxpayers who modify their homes for disabled residents or resident seniors. These provisions would raise the cap on the program from \$100,000 to the amount allowed but unused by the Rebuilding Communities program each year. The amount of tax credits available for the Rebuilding Communities program is \$8.0 million. In FY2008, \$1.97 million was redeemed under this program. Based on this information, the proposal could reduce general and total state revenues up to \$6.0 million.

Officials from the **Department of Economic Development** assumed that a similar proposal (HB 323 LR 0839-01) would have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assumed that a similar proposal (HB 323 LR 0839-01) proposal would eliminate the \$100,000 cap on remaining credits that can be applied to the Residential Disabled Access Tax Credit; delete the provision that no taxpayer would be eligible in the tax year immediately following the year a taxpayer received credits under this section; and eliminate the cap of \$2,500 per tax year that may be refundable. The amount of tax credit available each year would be limited to the taxpayer's state tax liability. If the tax credit exceeded the state tax liability, the difference would not be refundable, but could be carried forward. Tax credits under this section could not be transferred, sold or assigned. Kitchen modification and room additions would be eligible costs for which a credit could be claimed. DOR officials could not provide an estimate of the amount of credits claimed under the current program which became effective for 2008 tax years.

DOR officials stated that modifications to MINITS system would be required, and personal tax would require one FTE Revenue Processing Technician I for every 4,000 credits claimed.

DOR provided an estimated cost to implement this proposal including one additional employee and the related equipment and expense totaling \$38,614 for FY 2010, \$41,086 for FY 2011, and \$42,317 for FY 2012.

Oversight assumes that a minimal number of claims would be filed under this proposed expansion of an existing tax credit program and that the additional claims could be processed with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

DOR officials also provided an estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration, Information Technology services Division** (ITSD/DOR) estimated that the IT portion of a similar proposal (HB 323 LR 0839-01) could be implemented using two FTE existing CIT III for one month for modifications to the MINITS system at a total cost of \$8,882. ITSD/DOR officials assume this proposal could be implemented with existing resources; however, if priorities shift, additional FTE or overtime would be needed.

ASSUMPTION (continued)

Officials from the **University of Missouri, Economic Policy Analysis and Research Center** (EPARC) assumed a similar proposal (HB 323 LR 0839-01) would provide certain individuals with additional tax credits for the costs of modifications to a home in order for it to be accessible for a disabled person who resides with them.

Specifically, modifications to kitchens and room additions would be included in eligible costs. This proposal would also repeal the current restriction prohibiting this type of credit in consecutive years, and would place an additional condition on the maximum credit allowable so that it does not exceed the taxpayer's state tax liability for the current year. Excess credit over the filer's state tax liability would not be refundable but could be carried forward to any of the taxpayer's five subsequent tax years.

Raw data indicates that few taxpayers elect the Disabled Access Credit as it is currently legislated (a \$10,746 aggregate credit) and it is indeterminate from this data to estimate the additional taxpayer participation and impact on Net General Revenue if the proposed bill is enacted.

An estimate is possible for the maximum and minimum potential impacts on Net General Revenue. As the proposal is worded, taxpayers with a disabled person living in their primary residence and who have less than \$60,000 in Federal Adjusted Gross Income would be able to claim eligible costs in this credit up to the limit of their tax liability. Therefore, the best approximation of the maximum impact on Net General Revenue is the tax liability aggregate of disabled taxpayers with Federal AGI less than \$60,000. This number is estimated at \$10,577,000.

Oversight assumes these changes to the Individual Dwelling Disabled Access tax credits program could increase its utilization and therefore increase the amount of tax credits issued. Since the impact of the current program is not known, Oversight will assume this proposal could increase the amount of tax credits from \$0 to the BAP estimate of \$6 million. Oversight notes that this proposal would become effective in August 2009 (FY 2010) and could have an impact on 2009 tax returns filed in FY 2010.

ASSUMPTION (continued)

Sections 135.704 and 135.706 Agricultural Production Tax Credits

Officials from the **University of Missouri, Food and Agricultural Policy Research Institute** (FAPRI) stated that this proposal, as amended would have no ficsal impact on their organization.

Officials from the **Office of Administration, Division of Budget and Planning** stated that these provisions would create tax credit programs for qualifying milk production and qualified livestock production. The total amount of tax credits available under this program is the sum of unissued tax credits under the program cap for each of the programs listed below. The table below lists the FY08 issuance and the available balance for each tax credit program. Assuming that the amount of unissued tax credits under the listed programs is similar to that in FY08, this proposal could lower general and total state revenues up to \$34.6 million beginning FY11. However, the proposal would also allow the taxpayer to use the credit to offset quarterly estimated tax payments. This could result in lower general and total state revenues as early as FY10.

Program	Program Limits (\$ millions)	FY08 Issued (\$ millions)	FY08 Unissued (\$ millions)
Neighborhood Assistance Program		\$13.300	
Affordable Housing Assistance		\$8.500	
Development		<u>\$1.300</u>	
Total	\$30.000	\$23.100	\$6.900
Neighborhood Preservation	\$16.000	\$6.400	\$9.600
Rebuilding Communities	\$10.000	\$1.700	\$8.300
New Markets	\$15.000	\$9.200	\$5.800
Family Development Account	\$4.000	\$0.010	\$3.990
Total			\$34.590

ASSUMPTION (continued)

Oversight notes that these provisions are conditioned on the issuance of tax credits under existing programs of less than \$15 million as of April 1 each year. For fiscal note purposes Oversight will indicate a range of fiscal impact from \$0 to \$34.590 million for the additional tax credits which could be issued and redeemed under this program.

Section 137.016 Residential Watercraft

Officials from the **Office of Administration, Division of Budget and Planning** stated that these provisions would change qualifying watercraft from personal property (vehicles) to residential property. Vehicles are assessed at 33.3% of value, while residential property is assessed at 19% of value. Therefore this proposal would reduce local property tax collections, perhaps significantly in counties with large numbers of qualifying watercraft. BAP does not have data on the number or valuation of qualifying watercraft. This proposal will not impact general revenues, but may reduce Blind Pension Fund revenues.

In response to a similar proposal (HB 839 LR 1132-01) officials from the **Department of Elementary and Secondary Education** deferred to the Department of Revenue as to the fiscal impact from this proposal.

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (HB 839 LR 1132-01) would include certain watercraft, as defined by existing statutory provisions, in the definition of "residential property". Existing provisions define such "watercraft" as any vessel or watercraft, that has bath and toilet facilities, a sleeping area, and kitchen facilities, that is eligible for the home mortgage interest deduction on the taxpayer's federal income tax return, that is registered under chapter 306, RSMo, and that is used as the taxpayer's principal place of residence or as a temporary residence for the taxpayer.

If this proposal was enacted, DOR would be required to revise policies and procedures as well as the DOR website, update the renewal print program for vessel renewals to require a paid personal property tax receipt or a statement of non assessment, in which the assessor would indicate they have assessed the watercraft not as personal property, but as real estate.

ASSUMPTION (continued)

DOR assumes there would no change regarding the titling and registration requirements for these watercraft since the provisions requiring a tax receipt for registration was not changed and the definition such watercraft was not changed.

DOR officials did not provide an estimate of the fiscal impact to their organization.

Oversight assumes DOR could implement this proposal with existing resources.

Officials from the **State Tax Commission** (TAX) assume this proposal would have no fiscal impact to their organization.

Officials from **Linn State Technical College**, the **Metropolitan Community Colleges**, **St. Louis County**, and the **City of Centralia** assumed a similar proposal (HB 839 LR 1132-01) would have no fiscal impact on their organizations.

Oversight assumes this proposal would result in the reclassification of qualifying houseboats from personal property to real property and an unknown reduction in property tax revenues for local governments and the Blind Pension Fund. Oversight assumes this proposal would become effective in August 2009 after the assessment process for 2009 is completed but would have an impact on 2010 property taxes collected in December 2010 (FY 2011).

Section 138.431 State Tax Commission Hearing Officers

This provision would specify when the State Tax Commission is to assign a hearing officer and would define certain situations in which a change of hearing officers is required.

Officials from the **State Tax Commission** (TAX) assume that implementing this provision would require an additional hearing officer and provided a cost estimate of \$68,695 for FY 2010, \$83-110 for FY 2011, and \$85,603 for FY 2012.

Oversight assumes there would be a limited number of hearings where one of the parties would request the disqualification of a hearing officer and that TAX could implement this provision with existing resources. If unanticipated costs are incurred or if multiple proposals are incurred which increase then TAX could request resources through the budget process.

ASSUMPTION (continued)

Section 142.814 School Bus Motor Fuel Tax

Officials from the **Office of Administration, Division of Budget and Planning** stated that these provisions would exempt fuel for school buses from motor fuel tax. BAP defers to DESE and MODOT for a response.

In response to a similar proposal (HB 87 LR 0197-01) officials from the **Department of Transportation (MoDOT)** stated that the Department of Elementary and Secondary Education expected a 1.0043% bus travel growth annually. Total bus miles traveled during the 2007-08 school year were 131,909,393. The average school bus gets 7 miles per gallon. Total gallons used ($131,909,393/7=18,844,199$). That would be an income lose of \$3,203,513.83. Adding the 1% growth rate the impact would be (\$2,681,074.12) (FY 10), (\$3,231,123.28) (FY 11) & (\$3,245,017.11) (FY 12) - Note this also includes the lost revenue to cities and counties.

	FY 2010	FY 2011	FY2012
State Road Fund	(\$1,964,000)	(\$2,366,000)	(\$2,377,000)
Cities	(\$402,000)	(\$485,000)	(\$487,000)
Counties	(\$315,000)	(\$380,000)	(\$382,000)
Total	(\$2,681,000)	(\$3,231,000)	(\$3,246,000)

Officials at the **Department of Revenue (DOR)** assumed a similar proposal (HB 87 LR 0197-01) would create a new fuel tax exemption; exemptions reduce the amount of tax due and reduce state revenues. DOR officials assumed the following costs to notify the 524 public school districts in the State of the new exemption:

Letters -\$13.10 (524 @ \$.025 per letter)
Postage - \$220.08 (524 @ \$.42 per letter)
Envelopes - \$20.96 (524 @ \$.04 per letter).

The total cost is \$211 in FY 2010.

ASSUMPTION (continued)

Oversight assumes that DOR could implement these provisions with existing resources.

Officials at the **Department of Elementary and Secondary Education (DESE)** assumed a similar proposal (HB 87 LR 0197-01) would create a savings to school districts and a loss to state revenues.

Officials from the **Office of the Secretary of State (SOS)** stated in response to a similar proposal (HB 87 LR 0197-01) that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the **Parkway School District** assume assumed a similar proposal (HB 87 LR 0197-01) would create a savings of \$42,500 annually.

In response to similar legislation filed this year (HB 112, LR 0221-01) officials at the **St. Joseph School District** assumed a savings of \$30,000 annually.

In response to similar legislation filed this year (HB 112, LR 0221-01) officials at the **Sikeston R-6 School District** assumed a savings of \$6,000 annually.

ASSUMPTION (continued)

In response to similar legislation filed this year (HB 112, LR 0221-01) officials at the **Jefferson City Public School District** assume a savings of \$20,000 to \$25,000 annually.

Oversight will use the MODOT estimate of fiscal impact.

Section 143.112 Alternate Electrical Generating Equipment

Officials from the **Office of Administration, Division of Budget and Planning** stated that these provisions would create an income tax deduction up to \$4,000 for the purchase of alternate electricity generating equipment for residential properties. According to a 2008 report by the Interstate Renewable Energy Council¹, there were about 13,000 photovoltaic installations in the U.S. 84% percent of the installations were at residential locations. The top 10 states accounted for 96.8% of all the installations. Since Missouri was not among the top ten states, there were approximately $13,000 * 0.84 * .032 * 1/40 = 9$ installations in Missouri.

Therefore, the proposal could reduce Missouri taxable income by \$36,000. Assuming a 4.5% effective tax rate, this could reduce general and total state revenues by \$1,620.

NOTE: The number of fuel cell installations in Missouri is unknown. Including fuel cell installations in the above calculations could further reduce general and total state revenues.

Officials from the **Department of Economic Development, Office of the Director and Public Service Commission**, assumed a similar proposal (HB 35, LR 0224-01) would have no fiscal impact on their organizations.

Officials from the **Department of Natural Resources** (DNR) assume assumed a similar proposal (HB 35, LR 0224-01) would allow taxpayers who use specified types of fuel cell or solar power to generate electricity for their residences to claim a tax deduction. Starting January 1, 2010, an individual may claim a deduction for the lesser of 50% of the purchase price of a qualified fuel cell property or \$1,000, and the owner of a qualified solar energy property may claim a deduction for the lesser of 50% of the purchase price or \$4,000. The provisions of this proposal would expire six years from the effective date. DNR may be asked to provide photovoltaic and or fuel cell information/assistance during the implementation of this proposal.

DNR officials do not anticipate a direct fiscal impact from this proposal.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (HB 35, LR 0224-01) would allow a taxpayer a deduction for the lesser of 50% of the purchase price of any qualified fuel cell or \$1,000, or the lesser of 50% of the purchase price of a qualified photovoltaic property or \$4,000 after January 1, 2010.

DOR officials stated that individual income tax forms and instruction changes would be required, and MINITS system changes would be required. The Department of Revenue would establish the procedures by which this deduction may be claimed, and the provisions would sunset on December 31, six years after the effective date unless reauthorized by the General Assembly

DOR officials assumed that Personal Tax would require two Temporary Tax Employees for key entry, one FTE Revenue Processing Technician I (Range 10, Step L) per 19,000 errors; and one FTE Revenue Processing Technician I (Range 10, Step L) per 2,400 pieces of correspondence. Collections & Tax Assistance would require one FTE Tax Collections Technician I (Range 10, Step L) for every additional 15,000 contacts, annually, on the delinquent tax phone line; one FTE Tax Collections Technician I (Range 10, Step L) for every additional 24,000 contacts, annually, on the income tax line; and three FTE Revenue Processing Technicians I (Range 10, Step L) for every additional 4,800 contacts in the field offices. Customer Assistance anticipates the increase in contacts to be significant enough to request 1 Tax Processing Technician I for each of the larger field offices; Kansas City, St. Louis, and Springfield.

DOR provided an estimated cost to implement this proposal including seven additional employees and related equipment and expenditures totaling \$283,634 for FY 2010, \$304,088 for FY 2011, and \$313,210 for FY 2012.

Oversight notes that BAP estimated nine Missouri photovoltaic installations and assumes that this proposal would result in a limited number of additional deduction claims which could be processed with existing staff. If unanticipated costs are incurred or if multiple proposals are implemented which cause an increased workload, resources could be requested through the budget process.

ASSUMPTION (continued)

DOR officials also provided an estimate of the IT cost to implement this proposal.

Officials from the **Office of Administration, Information Technology Services Division** (ITSD/DOR) estimates that this proposal could be implemented using one FTE existing CIT III for three months for system modifications to MINITS at a total cost of \$13,323. ITSD/DOR assumes the IT portion of this request could be accomplished with existing resources; however, if priorities shift, additional FTE or overtime would be needed.

Oversight will use the BAP estimate of photovoltaic installations. Oversight found no information available regarding energy cell unit sales. Oversight assumes that the January 1, 2010 effective date would result in lost revenue beginning in FY 2011.

Section 143.161 Stillborn Dependency Exemption

Officials from the **Office of Administration, Division of Budget and Planning** stated that these provisions would create a single-year dependency exemption for taxpayers with a stillborn child. According to the DHSS, there were an estimated 502 stillbirths in Missouri. The current dependency exemption is \$2100; therefore \$1,054,200 would be exempted. Assuming a 4.5% effective tax rate, general and total state revenues could be reduced by \$47,439 annually.

Officials from the **Office of the Secretary of State** (SOS) stated in response to a similar proposal (HB 248, LR 0882-01) that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services**, the **Department of Revenue**, and the **Department of Social Services** assumed a similar proposal (HB 248, LR 0882-01) would have no fiscal impact to their organizations.

Oversight will use the number of stillbirths provided by BAP. Using that rate, the current Missouri childhood dependency exemption of \$1,200, and the maximum income tax rate of six percent, the maximum reduction in income tax revenue for this proposal would be $(502 \times \$1,200 \times 6\%) = \$36,144$. Oversight assumes the impact would not exceed this amount.

Oversight also assumes this proposal would become effective in August, 2009 and would result in additional dependency exemptions for 2009 on returns filed in 2010 (FY 2010).

Section 143.183 Non-Resident Athletes and Entertainers Revenue Allocation

Officials from the **Office of Administration, Division of Budget and Planning** stated that this provisions would remove the \$10M cap on the allocation of Non-Resident Athlete & Entertainers receipts to the Missouri Arts Council. This proposal would not have any impact on general and total state revenues.

Officials at the **Missouri House of Representatives, Department of Economic Development, Missouri Arts Council**, and the **Missouri Senate** assume that there would be no fiscal impact from a similar proposal (HB 299 LR 0574-03).

Section 148.064 Foreign State Bank Tax Reciprocity

Officials from the **Office of the Secretary of State** and the **Department of Insurance, Financial institutions, and Professional Registration** assumed a similar proposal (HB 402, LR 1218-01) would have no fiscal impact to their organizations.

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (HB 402, LR 1218-01) would impose a tax on any bank chartered in another state which conducts business in Missouri with no physical presence in Missouri if that bank's home state imposes a tax on a Missouri bank which conducts business in that state with no physical presence in the taxing state. In addition, the proposal would provide a credit to any Missouri bank which conducts business in a foreign state with no physical presence in a taxing state; the credit would be equal to the tax imposed by that state.

ASSUMPTION (continued)

DOR officials stated that the impact of the proposal on total state revenue is unknown as this legislation would impose a new tax on some banks and would allow tax credits to other banks. DOR officials also stated that this legislation could create a large workload for Taxation; however, as many factors are unknown, the potential workload is unknown at this time. DOR officials assume that Corporate Tax would require one FTE Revenue Processing Technician I for administrative and processing purposes.

Oversight has not been able to determine or estimate the number of Missouri or foreign banks which might be subject to the tax provisions in this proposal; however, the Department of Insurance, Financial institutions, and Professional Registration website indicated there were 323 state-chartered banks as of September 30, 2008. Oversight assumes that DOR could implement this proposal for a limited number of affected banks with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

Officials from the **Office of Administration, Division of Budget and Planning** assume this proposal would create a tax credit against taxes imposed by other states on Missouri banks that do not have a physical presence in those states. The tax credit would be granted against franchise and corporate income tax. The proposal would also impose a tax on certain qualifying banks that are chartered in those states that impose taxes on Missouri banks. BAP does not have data to estimate the fiscal impact.

Oversight assumes this proposal would create a tax on foreign states' banks which conduct business in Missouri if that state taxes Missouri banks on their business in that state, and would provide a tax credit for any Missouri bank in the amount of the tax paid to a foreign state based on its business conducted in that foreign state. Oversight will indicate an unknown amount of revenue for Missouri taxes on foreign state banks and an unknown amount of revenue reduction for foreign state bank tax credits taken by Missouri banks.

Oversight assumes this proposal would become effective in August 2009 and would first impact banking companies' tax returns filed in August 2010 (FY 2011).

ASSUMPTION (continued)

Section 144.030 Sales Tax Exemption for Medical Equipment

Officials from the **Office of Administration, Division of Budget and Planning** stated that this provision would exempt from local sales tax any medical equipment, supplies, or devices that are provided to a person on or by the order of a physician, paid by a third party health insurer, or Medicare and Medicaid. This does not have any impact on general and total state revenues.

Oversight has researched the current provisions and DOR regulations and notes that durable medical equipment, as defined in those provisions, is subject to sales tax. Oversight assumes this provision would result in an unknown loss to those state funds receiving sales tax revenues and to local governments.

Section 144.080 Seller Sales Tax Assumption

Officials from the **Office of Administration, Division of Budget and Planning**, and the **Department of Revenue** assume this proposal would have no fiscal impact on their organizations.

Oversight assumes this proposal would have no fiscal impact on the state or on local governments.

Section 321.227 St. Louis County Fire District Sales Tax

Officials from the **Office of Administration, Division of Budget and Planning** stated that this provision would allow St. Louis County, by order or ordinance, to impose a sales tax on all retail sales made within the fire protection district. The tax could not be greater than 1%. This provision would not have any impact on general and total state revenues.

Oversight notes that voter approval would be required before any sales tax could be levied under this provision and will indicate a fiscal impact from \$0 to Unknown for the fire protection districts. Oversight will also indicate \$0 or Unknown for the 1 percent collection fee that would be retained by the Department of Revenue and deposited into the state General Revenue Fund.

ASSUMPTION (continued)

Amendment 1 Section 52.230 Collectors' Statements of Tax Due

In response to a similar proposal (HB 391, LR 0763-01), officials from **State Tax Commission, Clinton County** and **St. Louis County Government** assumed there would be no fiscal impact to their county.

Oversight also sent response requests to the following counties: **Buchanan County, Clay County, Platte County, Jackson County, Cass County, Jasper County, Greene County, Taney County, Camden County, Boone County, Callaway County, Cole County, Franklin County, Jefferson County, Cape Girardeau County** and **St. Charles County**. No response was received from those counties.

Oversight assumes this proposal is discretionary and would have no local fiscal impact without action by the governing body.

Amendment 2 Section 135.704 Livestock Production Tax Credit, as Amended by Amendment 1 to Amendment 2

This amendment would modify the definitions for the livestock production tax credit, allow the credits to be carried forward indefinitely, and make the credits subject to sale, transfer, and assignment.

Oversight assumes this amendment would not change the fiscal impact of those provisions.

ASSUMPTION (continued)

Amendment 3 Section 135.663 Green Build Home Tax Credits

In response to a similar proposal (HB 978, LR 1693-04) officials from the **Office of the Secretary of State** (SOS) stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of the State Treasurer**, the **Department of Economic Development** and the **Public Service Commission** assumed that a similar proposal (HB 978, LR 1693-04) would have no fiscal impact to their organizations.

Officials from the **Department of Natural Resources** stated a similar proposal (HB 978, LR 1693-04) would authorize an income tax credit for homes built using green build standards. The credit would range from 45 cents to \$1.15 per square foot of the home and would be based on the percentage of the level of green build standards met as verified by a program-certified, third-party verifier. The credit would not be refundable but could be transferred and could be carried back or carried forward to any tax year. The credit would be on a first-come, first-served filing basis and could not exceed \$2 million per fiscal year.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (HB 978, LR 1693-04) would create a new tax credit program, which would reduce the amount of tax due and state revenues.

For tax years beginning on or after January 1, 2010, taxpayers would be allowed a credit for eligible costs at the following rates:

- * \$0.45 per square foot that meets NAHB or LEED-H Bronze Level or LEED-H Certified Level;
- * \$0.65 per square foot that meets the NAHB or LEED-H Silver Level;
- * \$0.90 per square foot that meets the NAHB or LEED-H Gold Level; or
- * \$1.15 per square foot that meets the NAHB Emerald or LEED-H Platinum Level

The credit could not exceed state tax liability and is not refundable but may be transferred, sold or assigned and could be carried back to any of the taxpayer's previous tax years or carried forward to any subsequent tax years. The credit would be capped at \$2 million annually, and credits would be issued on a first-to-file, first-to-receive basis. DOR would create rules to implement the proposal.

DOR officials stated that modifications would be required to individual and corporate income tax forms and to the MINITS, COINS, CAFE, and EDW systems.

DOR officials stated that Personal Tax would need one FTE Revenue Processing Technician I for every 4,000 credits claimed; Collections & Tax Assistance would need one FTE Tax Collection Technician I for every additional 24,000 contacts annually to the non-delinquent tax line; one FTE Revenue Processing Technician I for every additional 4,800 contacts annually to the field offices; and Corporate Tax would require one FTE Revenue Processing Technician I to handle the additional redemptions, return verification and correspondence related to the new credit, and one FTE Revenue Processing Technician I to evaluate the applications and approve the credits.

DOR officials provided an estimate of the cost to implement the proposal including five additional employees and the related equipment and expenditure amounts totaling \$193,070 for FY 2010, \$205,428 for FY 2011, and \$211,591 for FY 2012.

ASSUMPTION (continued)

Oversight notes that this program is capped at \$2 million per year and that a claim for one new home with 2,000 square feet at the lowest eligible standard would be for a tax credit of (2,000 square feet x 45 cents per square foot) = \$900. The \$2 million annual cap would provide 2,222 tax credits; however, Oversight assumes that many tax credit applications would be for homes which meet a higher technical standard. Thus there would likely be fewer than 2,222 claims. Oversight assumes the program could be implemented with one additional FTE. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employee to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has adjusted the DOR estimate of equipment and expense costs in accordance with OA budget guidelines, and Oversight assumes that an additional employee could be accommodated in existing office space.

Amendment 4 Section 135.610 Volunteer Firefighter Tax Credits

In response to a similar proposal (HB 204, LR 0856-02) officials from the **Department of Public Safety - Division of Fire Safety (DFS)** stated the legislation would provide for a tax credit for volunteer fire fighters who meet specific training requirements. This legislation would provide for a tax credit of \$180 annually for volunteers who complete 12 hours of training approved by the Division of Fire Safety. Additionally, the legislation would provide a \$360 tax credit for volunteer fire fighters who completes the Basic Fire Fighter course, or Fire Fighter 1 or 2 certification, or a minimum of 36 hours of fire fighting annually. According to the legislation, the DFS would be responsible for developing procedures for this process, administering the training programs and verifying the fire fighter is in good standing with a registered fire department, and verifying the training hours for individuals applying for the credit.

ASSUMPTION (continued)

The DFS has administered and maintained a training and certification program for fire fighters for nearly 20 years. Due to the number of fire fighters and emergency responders who have been previously trained and certified, adding this requirement would increase the workload of the program. Therefore, the Division would request a one-thousand hour clerical position to process and evaluate the applications for tax credit eligibility, along with supporting expense funding to administer these additional duties.

The DFS estimated there are 625 volunteer fire departments with 12,652 fire fighters. Additionally, there are 80 part volunteer/part paid departments with another 3,211 fire fighters in the State of Missouri.

The division currently offers 15 levels of certification and numerous training programs and has issued over 50,000 certifications since the program's implementation in 1986.

This number will only continue to grow as there are approximately 4,000 individuals certified annually.

The DFS estimated the cost of the part-time clerical position to be roughly \$12,000 per year.

Officials from the **Department of Revenue (DOR)** responded to a similar proposal (HB 204, LR 0856-02) that the Department of Public Safety states there are a total of 25,000 firefighters in Missouri. The Division of Fire Safety estimated that approximately 80% of these are volunteer firefighters; therefore, it is estimated that there are approximately 18,000-20,000 volunteer firefighters in Missouri. This is an estimated number as volunteer firefighters are not required to register with the state. DOR assumes the need for three Revenue Processing Technicians at a total annual cost of roughly \$140,000.

ASSUMPTION (continued)

With an estimate of 13,000 tax credits redeemed, **Oversight** will assume the Department of Revenue would be able to administer the tax credits with two FTE instead of the three FTE requested. Oversight also assumes the Department of Revenue would not incur additional floor space expense from the additional two FTE.

DOR officials also provided this estimate of the IT cost to implement the proposal.

Officials from the Office of Administration, Information Technology Service Division (ITSD/DOR) estimated the IT portion of this request could be implemented with one FTE existing CIT III for one month for modifications to the MINITS system at a cost of \$4,441. ITSD/DOR assumes the proposal could be implemented with existing resources; however, if priorities shift, additional FTE/overtime would be needed.

Oversight assumes ITSD/DOR could implement these provisions with existing resources.

Officials from the **Office of Administration - Budget and Planning** stated that a similar proposal (HB 204, LR 0856-02) would authorize an income tax credit of \$180 per volunteer firefighter who has completed certain basic training requirements, and a \$360 income tax credit per taxpayer that has completed additional certification programs. The DPS estimated that there are around 13,000 volunteer firefighters that might qualify for the \$180 credit. This could therefore lower general revenue and total state revenues by \$2.34 million. If the same taxpayers qualify for the \$360 tax credit, general and total state revenues could be lower by \$4.68 million.

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Oversight will range the fiscal impact of the tax credit from \$0 (no firefighters taking advantage of the credit) to a loss in general revenues of \$2.34 million (estimated 13,000 volunteer firefighters x \$180 maximum tax credit) in the first year and \$4.68 million (same 13,000 firefighters x \$360 credit) in subsequent years. The fiscal impact could be substantially less if fewer firefighters apply for the credit and if those that do apply for the credit only qualify for the \$180 credit instead of the \$360 credit. The credit is for tax years beginning on or after January 1, 2009, therefore, Oversight will show a potential loss from the proposal in FY 2010.

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous four years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 81 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if \$4,680,000 of credits are issued, Oversight would assume \$3,884,400 (83%) of credits to be redeemed, reducing Total State Revenues.

Amendment 5 Section 205.202 County Hospital Sales Tax

Officials from the **Office of the Secretary of State** assumed a similar proposal (HB 1181 LR 2487-02) would have no fiscal impact to their organization.

Officials from the **Department of Revenue** (DOR) assumed a similar proposal (HB 1181 LR 2487-02) would have no fiscal impact to their organization. DOR officials also provided an estimate of the IT cost to implement the proposal.

Officials from the **Office of Administration, Information Technology Services Division** (ITSD/DOR) estimated that implementing the IT portion of the proposal would require one FTE existing CIT III for one month for modifications to the MITS system. ITSD/DOR officials assume the proposal could be implemented with existing resources; however, if priorities shift, additional FTE or overtime could be required.

In response to a similar proposal, officials from **Ripley County** stated that the cost of a special election could range from \$15,000 to \$18,000 and the cost share if the proposition was submitted to the voters at a general election could range from \$5,000 to \$10,000.

ASSUMPTION (continued)

Officials from **Ripley County Memorial Hospital** stated in response to a similar proposal (HB 1181 LR 2487-02) that the hospital currently received property tax revenues of approximately \$260,000 per year. Hospital officials assumed, based on revenue from a half-cent county sales tax levied for law enforcement, that a one cent hospital sales tax would generate approximately \$550,000 to \$600,000 per year.

Oversight calculated an estimate of the sales tax revenue that would be generated by a one percent sales tax. Based taxable sales reported by the Missouri Department of Revenue, Ripley County retail sales for 2008 were \$72.2 million; therefore, a one percent sales tax would generate approximately \$722,000 in sales tax revenue. The Department of Revenue would retain one percent of the sales tax revenue, or \$7,220.

Because the sales tax and property tax changes are subject to voter approval and also indeterminate as to effective date, Oversight will indicate \$0 or unknown amounts for the election cost, sales tax revenue, and property tax reduction, and for the one percent retention charge.

Amendment 6 Section 137.073 School District Tax Rate Ceiling

This provision would modify the tax rate ceiling for certain school districts.

Oversight assumes this provision could lead to a positive fiscal impact for certain school districts; however, school district revenues would be subject to other tax limitation provisions. Oversight will not indicate a fiscal impact for this provision.

Amendment 7 Section 142.800 Motor Fuel Tax Exemptions

This provision would require the Department of Revenue to adopt a uniform and simplified rule for fuel tax exemptions.

Oversight assumes that DOR could implement this proposal with existing resources.

ASSUMPTION (continued)

Amendment 8 Section 52.230 Delinquent Tax Collection Fees

This provision would clarify existing provisions regarding delinquent tax collection fees in charter counties.

Oversight assumes this provision would have no fiscal impact on the state or on local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Revenue</u> - hospital sales tax collection fee	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<u>Costs</u> - Department of Public Safety			
Part-time clerical position	(\$12,089)	(\$12,154)	(\$12,518)
<u>Costs</u> - Department of Revenue			
Personal Service (2 FTE)	(\$43,569)	(\$53,851)	(\$55,467)
Fringe Benefits	(\$21,188)	(\$26,187)	(\$26,974)
Expense and Equipment	<u>(\$11,584)</u>	<u>(\$1,036)</u>	<u>(\$1,067)</u>
<u>Total Costs</u> - DOR	(\$76,341)	(\$81,074)	(\$83,508)
<u>Loss</u> - Tax Credit for volunteer firefighter training	<u>\$0 to</u> <u>(\$2,340,000)</u>	<u>\$0 to</u> <u>(\$4,680,000)</u>	<u>\$0 to</u> <u>(\$4,680,000)</u>
<u>Cost</u> - Department of Revenue			
Salaries (1 FTE)	\$0	(\$11,680)	(\$24,061)
Benefits	\$0	(\$5,680)	(\$11,701)
Equipment and expense	<u>\$0</u>	<u>(\$5,743)</u>	<u>(\$889)</u>
Totals	<u>\$0</u>	<u>(\$23,103)</u>	<u>(\$36,651)</u>

<u>Revenue reduction - tax credits *</u>	<u>\$0</u>	<u>\$0 to (\$2,000,000)</u>	<u>\$0 to (\$2,000,000)</u>
<u>Savings - Special Needs Adoption and Children in Crisis Tax Credits (available to new program)</u>	<u>\$0 to \$600,000</u>	<u>\$0 to \$600,000</u>	<u>\$0 to \$600,000</u>
<u>Costs - tax credit now available to adoption resource centers</u>	<u>\$0 to (\$600,000)</u>	<u>\$0 to (\$600,000)</u>	<u>\$0 to (\$600,000)</u>
<u>Revenue reduction - increased tax credits for Individual Dwelling Disabled Access program</u>	<u>\$0 to (\$6,000,000)</u>	<u>\$0 to (\$6,000,000)</u>	<u>\$0 to (\$6,000,000)</u>
<u>Revenue reduction - new Agricultural Production Tax Credit Program</u>	<u>\$0 to \$34,590,000)</u>	<u>\$0 to \$34,590,000)</u>	<u>\$0 to \$34,590,000)</u>
<u>Revenue reduction - Alternative energy tax deductions</u>	<u>\$0</u>	<u>(\$1,620)</u>	<u>(\$1,620)</u>
<u>Revenue reduction - dependency exemption for stillborn child</u>	<u>(Less than \$36,144)</u>	<u>(Less than \$36,144)</u>	<u>(Less than \$36,144)</u>
<u>Revenue increase - taxes on foreign state banks</u>	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Revenue reduction - foreign state bank tax credits for Missouri banks</u>	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue Reduction - Sales tax on medical equipment</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$124,574) to (More than \$43,056,194)</u>	<u>(\$152,475) to (More than \$47,424,095)</u>	<u>(\$155,273) to (More than \$47,440,441)</u>

*** Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

Estimated Net FTE Effect on General Revenue Fund	2	3	3
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SCHOOL DISTRICT TRUST FUND

<u>Revenue Reduction</u> - Sales tax on medical equipment	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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CONSERVATION COMMISSION FUND

<u>Revenue Reduction</u> - Sales tax on medical equipment	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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PARKS, AND SOIL AND WATER FUND

<u>Revenue Reduction</u> - Sales tax on medical equipment	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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STATE ROAD FUND

Loss - MoDOT

Motor fuel tax exemption for school bus operation.	<u>(\$1,964,000)</u>	<u>(\$2,366,000)</u>	<u>(\$2,377,000)</u>
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ESTIMATED NET EFFECT ON STATE ROAD FUND

<u>(\$1,964,000)</u>	<u>(\$2,366,000)</u>	<u>(\$2,377,000)</u>
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BLIND PENSION FUND

Revenue reduction - Residential water craft property taxes

<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON BLIND PENSION FUND

<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Local Government

FY 2010
(10 Mo.)

FY 2011

FY 2012

LOCAL GOVERNMENTS

Revenue - Hospital sales tax

\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
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Cost - election

\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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Revenue reduction - Hospital property tax

\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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Revenue reduction - Residential water craft property taxes

<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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Loss - Cities

Motor fuel tax exemption for school bus operations.

<u>(\$402,000)</u>	<u>(\$485,000)</u>	<u>(\$487,000)</u>
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Loss - Counties

Motor fuel tax exemption for school bus operations.	<u>(\$315,000)</u>	<u>(\$380,000)</u>	<u>(\$382,000)</u>
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Savings - School Districts

Motor fuel tax exemption for school bus operations.	<u>\$2,681,000</u>	<u>\$3,231,000</u>	<u>\$3,246,000</u>
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Revenue Reduction - Sales tax on medical equipment

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$1,964,000 to (Unknown)</u>	<u>\$2,366,000 to (Unknown)</u>	<u>\$2,377,000 to (Unknown)</u>
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FISCAL IMPACT - Small Business

Several provisions in this legislation would have a fiscal impact on small businesses.

FISCAL DESCRIPTION

The proposed legislation would make a number of changes to tax credit and property tax laws.

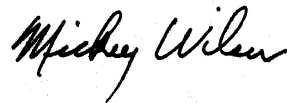
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Economic Development
 Office of the Director
 Missouri Arts Council
 Missouri Housing Development Commission
 Office of Public counsel
 Public Service Commission
Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Natural Resources
Department of Revenue
Department of Social Services
Department of Transportation
State Tax Commission
Linn State Technical College
Metropolitan Community Colleges
University of Missouri
 Economic Policy Analysis and Research Center

SOURCES (continued)

Clinton County
DeKalb County
St. Louis County
City of Centralia
City of Kansas City
Jefferson City Public School District
Parkway School District
St. Joseph School District
Sikeston School District
Office of the Boone County Collector of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 21, 2009